

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re:)	
BlueCross and Blue Shield)	GMCB-009-22rr
Vermont)	
2023 Association Health Plan		
Rate Filing		

SERF No. BCBSVT: BCVT-133316538

MEMORANDUM IN LIEU OF HEARING

Pursuant to Green Mountain Care Board (GMCB) Rule 2.309(a), Blue Cross and Blue Shield of Vermont (Blue Cross) respectfully requests that the GMCB modify and approve the filings reflected in the Blue Cross and Blue Shield of Vermont 2023 Association Health Plan Rating Program Filing Actuarial Memorandum (Blue Cross Memo) as set forth in further detail below.

This filing provides the formula, manual rate and factors that will be used to determine the rates of Pathway 1 Association Health Plans (AHP) with coverage years beginning in 2023. BCBSVT currently has one AHP. BCBSVT projects that this filing will affect approximately 1,434 members (959 subscribers) enrolled in that AHP. The factors in the filing are the medical and pharmacy trends, administrative costs, federal fees, contribution to reserve, and other rate manual factors that will be applied to AHP rates for the period covered by the filing. The actual rate impact for any particular AHP customer – and the overall average rate increase – will be driven by the claims experience in the period used to develop rates, premium currently in force, and underwriting judgment and management discretion applied to the case. The factors included in the filing as applied to an

AHP customer's claims experience will produce a set of rates reasonably expected to cover the costs of providing a AHP's benefits.

After having reviewed Blue Cross' Actuarial Memorandum and supporting exhibits, Lewis and Ellis (L&E), the Board's consulting actuary, has opined that this filing '...be approved after being recalculated with final hospital budget information available at the time of the Board's deliberations, and assuming that FY 2024 unit cost increases will mirror FY 2022 unit cost increases." (L&E Actuarial Memorandum dated September 6, 2022, hereinafter "L&E Memo," at page 4). The key findings and recommendations the L&E Memo with respect to this filing are as follows:

1. Utilization and Intensity: The experience on the AHP block is not of sufficient size and stability to perform independent trend analysis. BCBSVT has set utilization trends equal to those approved by the Board in their review of the 3Q 2022 large group filing. We believe this is appropriate and do not propose any changes. L&E Memo at 3.
2. Unit Cost: L&E reviewed the confidential support for the unit cost trend that was provided by the Company, and it appears to be reasonable and appropriate. However, we note that the final FY 2023 hospital budgets will be known prior to the Board's order regarding this filing. As such, we recommend that the rates be recalculated based on the actual unit cost increases approved in the hospital budget process.

BCBSVT has assumed that the hospital budget unit cost increases that are approved for FY 2024 will be equal to the average of approved increases for FY 2022 and FY 2023. Given that the current budget increases are the highest ever observed, we do not believe that this two-year average approach is reasonable. We recommend that the assumed future hospital budget increases be based on FY 2022 and not FY 2023.¹ *Id.*

¹ Blue Cross provided additional information to both of L&E's concerns with respect to "unit cost" in its response to the Board questions dated September 13, 2022.

3. Pharmacy Trend Development: As with medical utilization trends, BCBSVT is proposing that rates use the same pharmaceutical trend rates as those approved by the GMCB in the 3Q 2022 large group filings. We believe this is reasonable and do not recommend any changes. *Id.*
4. Leverage Adjustments to Allowed Trends: The Company analyzed allowed trends, as this is the clearest way to view changes in cost and utilization. However, plan liability increases at the paid trend rate, not the allowed trend rate. Therefore, an adjustment was made to the calculated allowed trends to reflect expected paid trends given the mix of benefits enrolled in the program.

The leveraged trend values were determined using the Company's Benefit Relativity models by calculating the change in paid claims with and without the allowed trends.

The methodology of using the Benefit Relativity models to estimate the impact on paid claims with and without the allowed trend is consistent with last year's filing. The approach that the Company used to adjust allowed trends to paid trends is reasonable and appropriate. *Id.* at 3-4

5. Administrative Costs: BCBSVT proposes to use the administrative costs that were approved for the 3Q 2022 large group filing. This charge was an average \$54.94 PMPM. We believe this is a reasonable approach and do not recommend any changes. *Id.* at 4.
6. Contribution to Reserves (CTR): The proposed CTR is 1.5% of premium. This is consistent with the Company's request regarding large group business. We find the inclusion of a 1.5% of premium CTR assumption reasonable. *Id.*

The Department of Financial Regulation's Solvency Opinion accepts Blue Cross' rates as reasonable and necessary, and cautions that downward adjustments to the filing's rate components that are not actuarially supported would likely erode Blue Cross' surplus and RBC ratio.

DFR reviews an insurer's rates to make certain that the rates maintain the insurer's solvency.² The DFR Solvency Opinion finds that "... the range of surplus

² Solvency Impact of "2023 BCBSVT AHP Rating Program Filing" (SERFF # BCVT-133316538) of Blue Cross Blue Shield of Vermont (DFR Solvency Opinion).

targeted by BCBSVT is reasonable and necessary for the protection of policyholders. BCBSVT is currently within this range.” (DFR Solvency Opinion at 2, citation omitted, emphasis added.)

DFR cautions that “any downward adjustments to the filing’s rate components that are not actuarially supported would likely erode BCBSVT’s surplus and RBC ratio.” (DFR Solvency Opinion at 1). “DFR considers insurer solvency to be the most fundamental aspect of consumer protection.” (DFR Solvency Opinion at 2, emphasis added). “A sufficient surplus is crucial to an insurer’s solvency.” *Id.* Thus, any further reduction would be to the detriment of current and future members. Additionally, reducing the unit cost trend factors below the level that reflects approved hospital budgets will threaten to destabilize the block by making future losses more likely. Poor financial results, in turn, may lead to rate instability such that another cycle of rating formula adjustments would likely become necessary. To avoid any negative impact on solvency and in turn, exposing consumers to risk of harm, the GMCB should approve unit cost trends that reflect approved hospital budgets. Doing so will ensure Vermonters continued access to care in a time of uncertainty.³

For all the forgoing reasons, this filing meets the GMCB’s review criteria. GMCB Rule 2.000, § 2.401, the GMCB must determine whether the proposed factors will produce rates that are affordable, promote quality care, promote access

³ As DFR highlights in its Solvency Opinion, COVID-19, though mitigated to some degree, continues to impact on Blue Cross and the marketplace (DFR Solvency Opinion at 1.).

to health care, protect insurer solvency, are not unjust, unfair, inequitable, misleading, or contrary to law, and are not excessive, inadequate, or unfairly discriminatory. GMCB Rule 2.000, § 2.401. For all the forgoing reasons, this filing meets all these criteria.

Blue Cross has fully justified the factors before the GMCB as evidenced by the filing itself, the information provided herein, DFR's Solvency Opinion, and as agreed by the recommendations of the GMCB's own actuarial consultant. Therefore, Blue Cross respectfully requests that the GMCB approve the filing after modifying it in accordance with the L&E recommendation to use unit cost trends that reflect approved hospital budgets.

DATED September 21, 2022

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CERTIFICATE OF SERVICE

I hereby certify that this *Memo in Lieu of Hearing*, dated September 21, 2022, has been duly served upon the following people at the Green Mountain Care Board: Michael Barber, Christina McLaughlin, Laura Beliveau, Geoffrey Battista, and Jennifer DaPolito; and the following people at the Office of Vermont Health Advocate: Eric Schultheis, and Charles Becker, all by electronic mail, return receipt requested, this 21st day of September 2022.

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